

VIRGINIA DEPARTMENT OF MINES, MINERALS & ENERGY
VIRGINIA GAS AND OIL BOARD
JUNE 2008

Pursuant to Sections 45.1-361.9.B and 45.1-361.22.B of the Code of Virginia, the Virginia Gas and Oil Board conducted a hearing commencing at 9 a.m. on Tuesday, June 17, 2008 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia. The board heard and addressed the following items:

1. A miscellaneous petition from Oryn Treadway Sheffield, Jr. Trust, requesting that owners of interest in the estate of Jessie Mae Pobst (tracts 40 and 47) be allowed to participate in Unit VP8-SGU3, Hurricane, South Grundy and Prater Districts, Buchanan County, Virginia. Docket Number VGOB-08-0520-2219. **Continued from May.**

Applicant stated that on August 7, 2007 he received a copy of Board Order VGOB-06-0321-1598 regarding his election options for tracts 40 and 47. According to the applicant, the first copy of the order was not readable as four 8 ½ x 11 pages were reduced to a single page. After contacting DGO, the applicant was subsequently provided a copy from CNX showing two 8 ½ x 11 pages per single page, which he received on August 21, 2007. On September 7, 2007, two letters were mailed by the applicant to CNX informing them of the applicant's election to participate. The applicant did not receive a response from CNX allowing him to participate according to his attempted election. Two different motions for action were made by Board members, but neither received a second. **Without further motions, the petition failed for lack of action by the Board.**

2. A petition from CNX Gas Company for pooling of coalbed methane unit A-16, North Grundy District, Buchanan County. Docket Number VGOB-08-0520-2221. **Continued from May.**

Unit A-16 of the Oakwood Coalbed Methane Field I encompasses 107 acres. In this unit, the applicant controls 58.78% of the coal and coalbed methane gas interests. The applicant seeks to pool the remaining 41.22% of the coal and coalbed methane gas interests. Unleased coal and coalbed methane acreage subject to pooling totals 44.11 net acres in three tracts having thirty-three claimants. Of the unleased, there are no unknowns reflected that are subject to escrow. **The petition was approved.**

3. A petition from CNX Gas Company for creation of a drilling unit and pooling of conventional gas unit A16CV, North Grundy District, Buchanan County. Docket Number VGOB-08-0520-2222. **Continued from May.**

This petition seeks to create a 112.69-acre drilling unit and force pooling of interests associated with a conventional gas unit, A16CV. The well would be drilled to an approximate depth of 6,795 feet and include an estimated unit production of 400 MMCF. The applicant controls 60.35% of the oil and gas interests and seeks to pool the remaining 39.65% of oil and gas interests. Unleased acreage subject to pooling totals 44.6± net acres in two tracts having

thirty-two claimants. Of the thirty-two claimants, twenty-eight are reflected as having oil, gas and coalbed methane leased to others. There are no unknowns or unlocated claimants reflected that are subject to this escrow. **The petition was approved.**

4. A petition from Oryn Treadway Sheffield, Jr. Trust requesting a reduction of the allowable costs for participation in unit VP8-SGU3, Hurricane, South Grundy and Prater Districts, Buchanan County, Virginia. Docket Number VGOB-08-0520-2226. **Continued from May.**

This petition seeks a cost reduction regarding the VP8-SGU3 coalbed methane GOB unit. The petitioner states "All of the wells...used for production of the coalbed methane were drilled and paid for prior to the pooling of the GOB unit. **The petition failed for lack of a motion.**

5. The Board will discuss post-production costs that are allowed by pooling orders and are deducted from royalty payments to pooled parties. **Continued from April with public comments compiled April to May, and distributed to the Board members for further review on May 20th.**

The Board has previously heard public testimony and objections to the extent of post-production royalty costs being deducted by gas producers from royalty interests downstream after wellhead production. Acting Division Director Asbury stated public comments were received, compiled and distributed to Board members at May hearings as requested. Mr. Asbury also advised the Board of additional comments received after the May 15 deadline should the Board elect to receive and include them. The Board accepted the additional written comments for review.

After discussion, the Board took action to form a committee to further study the matter. A committee was established that initially included Mr. Harris, Ms. Dye, Ms. Quillen and Mr. Prather, with coordinating assistance to be provided by Mr. Asbury. Chairman Wampler directed Mr. Asbury to contact all members and solicit participation by all members. The group will choose its chairman at the first meeting and decide future activities. The committee is charged with the task of making one or more recommendations regarding post-production, allowable deductions. The Committee is to advise the Board through Mr. Asbury as to when the recommendation(s) are complete and the matter is again ready to be placed back on the docket. **Study of the post production cost issue continues.**

6. A petition from Equitable Production Company for re-pooling of coalbed methane unit VC-537113, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-07-0515-1934. **Continued from April**

In VC-537113, a 58.77-acre unit, the applicant controls 100% of the coal and 84.0% of the gas interests, and seeks to pool the remaining 16.0% of the gas interests. Unleased gas acreage subject to pooling totals 9.4 net acres in four tracts having 179 unleased claimants. There are conflicting claimants and unlocated owners subject to escrow. A permit to drill the unit was issued on 5/4/07. Tracts requiring escrow are tracts 3, 4, 6 and 7. **The petition was approved.**

7. A petition from Equitable Production Company for pooling of conventional gas unit V-536025, Lipps District, Wise County, Virginia. Docket Number VGOB-08-0415-2199. **Continued from April.**

In V-536025, a 112.69-acre conventional unit, the applicant controls 84.04% of the gas interests, and the applicant seeks to pool the remaining 15.960% of the gas interests. Unleased gas acreage subject to pooling totals 17.98 net acres in thirteen tracts having twelve claimants. There are no unknown owners subject to escrow. An application for permit to drill the unit has been submitted. As the unit is to be converted to a horizontal well, **the petition was withdrawn by the applicant.**
8. A petition from Equitable Production Company for establishment of a 320-acre drilling unit, VH-536926, for the purpose of drilling of horizontal conventional gas wells, Gladeville and Lipps District, Wise County, Virginia. Docket Number VGOB-08-0415-2206. **Continued from April.**

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas wells. Applicant owns or leases 100% of the oil and gas interests in the entire 320-acre unit. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. No application for the drilling of this unit has been submitted. **The petition was withdrawn by the applicant.**
9. A petition from Equitable Production Company for establishment of a 320-acre drilling unit, VH-539904, for drilling of horizontal conventional gas wells, Gladeville District, Wise County, Virginia. Docket Number VGOB-08-0415-2210. **Continued from April.**

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas wells. Applicant owns or leases 100% of the oil and gas interests in the entire 320-acre unit. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. No application for the drilling of this unit has been submitted. **The petition was withdrawn by the applicant.**
10. A petition from Catherine Jewell on behalf of Buck Jewell Resources, LLC appealing a decision by the Director of the Division of Gas and Oil regarding Informal Fact Finding Conference decision IFFC 21308. Docket Number VGOB-08-0617-2237. Upon request by petitioner's counsel, **the petition was continued until July 2008.**

11. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit A-17, North Grundy and Garden Districts, Buchanan County, Virginia. Docket Number VGOB-08-0617-2238.

In A-17, a 107.06-acre unit, the applicant controls 99.90% of the coal and gas interests, and seeks to pool the remaining 0.10% of the interests. Unleased gas acreage subject to pooling totals 0.11 net acres in one tract having one unleased heirship. There are no unknown claimants subject to escrow. **The petition was approved.**
12. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit N (-1), Prater District, Buchanan County, Virginia. Docket Number VGOB-08-0617-2239.

In N (-1), an 80-acre unit, the applicant controls 88.79% of the coal and gas interests, and seeks to pool the remaining 11.21% of the interests. Unleased gas acreage subject to pooling totals 8.96 ± net acres in two tracts having twenty-one unleased parties. Revised Exhibits B2, B3, and A-pg. 2 were submitted at the hearing by the applicant. There are no unknown claimants subject to escrow reported. **The petition was approved.**
13. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit U-20, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-08-0617-2240.

In U-20, an 80-acre unit, the applicant controls 96.55% of the coal and gas interests, and seeks to pool the remaining 3.45% of the interests. Unleased gas acreage subject to pooling totals 2.76 net acres in one tract having two unleased parties. There are four unknown surface owners in tract 1. There are no unknown claimants subject to escrow reported. **The petition was continued to July.**
14. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BL-108, New Garden District, Russell County, Virginia. Docket Number VGOB-08-0617-2241.

In BL-108, a 58.74-acre Middle Ridge unit with two wells, the applicant controls 90.9176% of the coal and gas interests, and seeks to pool the remaining 9.0824% of the interests. Unleased gas acreage subject to pooling totals 5.3 ± net acres in one tract having twelve unleased parties. An escrow for unknowns will be required for this unit. Applicant submitted revised Exhibits B2 and B3, and will provide a revised Exhibit E. **The petition was approved.**
15. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit TA-133, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-0617-2242.

In TA-133, a 40.57-acre circular unit, the applicant controls 98.69% of the coal and gas interests, and seeks to pool the remaining 1.31% of the interests. Unleased gas acreage subject to pooling totals 0.53 net acres in one tract

having one unleased party. Tract 3 will require escrow. **The petition was approved.**

16. A petition from CNX Gas Company, LLC for modification of the Beatrice Mine Sealed GOB Order to allow production from CBM Well P-25, Garden District, Buchanan County, Virginia. Docket Number VGOB-96-0618-0545-01.

CBM Well P-25 was drilled inadvertently penetrating the Pocahontas 3 coal seam. The petition seeks to gain approval from the Board to allow production, currently prohibited by the Beatrice GOB rules. Testimony was presented by the applicant that the P-25 well was in a coal barrier area and is not in communication with other GOB wells. As such, it did not impact the pooled Beatrice GOB Field. The well did frac the P3 seam in error, thus resulting in a required request for modification and to allow P3 seam production from the well. **The petition was approved.**

17. A petition from CNX Gas Company, LLC for modification for the Oakwood 1 Field Rules to allow for drilling of more than one coalbed gas well within Exhibit A1 – Map #1 units, including E1, E2, F1, F2, G1, G2, H1 to H3, I1 to I3, J1 to J3, K1 to K3, L1 to L3, M1 to M3, plus Exhibit A1 – Map #2 units, including A9 to A17, B9 to B17, C9 to C14, D9 to D14, E10, to E14, F10 to F14, G9 to G14, H10 to H14, I9 to I14, plus Exhibit A1 – Map #3 units, including I26 to I30, J26 to J30, K26 to K30, L26 to L30, M26 to M30, N26 to N30, O26 to O30 and P26 to P30, Buchanan County, Virginia. Docket Number 93-0216-0325-15.

This petition seeks a modification of Oakwood 1 Field Rules, OGCB 3-90 as amended, to allow more than one coalbed gas well to be drilled within each of the 80-acre Oakwood Units identified as Exhibit A1. A request for an additional well in the drilling window was made with a distance between wells of 600' for each unit. The request for the second well for each unit is for economic purposes. A new Exhibit AA (large map) was provided to the Board showing different colored areas: A-1 Map 1 -green area, A-1-Map 2 is pink area, and A-1-Map 3 is the blue area. **The petition was approved.**

18. A petition from CNX Gas Company, LLC for modification of previous Board Order creating CNX Horizontal Area #5 in order to extract Oakwood Unit CC-38 therefrom and allow applicant to produce CC-38A as a vertical frac well, and to allow applicant to plug access well CC38B, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-04-0921-1341-04. **The petition was approved.**

19. A petition from Equitable Production Company for establishment of a 320-acre provisional horizontal drilling unit served by well VH-536926, Gladeville and Lipps District, Wise County, Virginia. Docket Number VGOB-08-0617-2243.

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas well VH-536926. Applicant

owns or leases 100% of the oil and gas interest in the entire 320-acre unit. Requested relief included provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. There are no unknowns reported in the petition. No application for the drilling of this unit has been submitted to date. Applicant distributed an Exhibit FF and made request for approval of multiple wells in the unit. **The petition was approved.**

20. A petition from Equitable Production Company for establishment of a 320-acre provisional horizontal drilling unit served by well VH-536020, Lipps, District, Wise County, Virginia. Docket Number VGOB-08-0617-2244.

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas well VH-536020. Applicant owns or leases 100% of the oil and gas interest in the entire 320-acre unit. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. There are no unknowns reported in the petition. No application for the drilling of this unit has been submitted to date. Applicant requested approval for multiple wells in the unit. **The petition was approved.**

21. A petition from Equitable Production Company for establishment of a 320-acre provisional horizontal drilling unit served by wells VH-539904 and VH-539905, Gladeville District, Wise County, Virginia. Docket Number VGOB-08-0617-2245.

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas wells VH-539904 and VH-539905. Applicant owns or leases 100% of the oil and gas interest in the entire 320-acre unit. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. There are seventy-three unknowns reported in the petition. No application for the drilling of this unit has been submitted to date. Applicant requested approval for multiple wells in the unit. **The petition was approved.**

22. A petition from Equitable Production Company for establishment of a 320-acre provisional horizontal drilling unit served by well VH-536025, Lipps and Kenady Districts, Wise County, Virginia. Docket Number VGOB-08-0617-2246.

The applicant is seeking to establish a provisional 320-acre square drilling unit for drilling of horizontal conventional gas well VH-536025. Applicant owns or leases 100% of the oil and gas interest in the entire 320-acre unit. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit.

There are twenty-seven unleased parties reflected in the petition. There are no unknowns reported. No application for the drilling of this unit has been submitted to date. Applicant requested approval for multiple wells in the unit. **The petition was approved.**

23. A petition from Equitable Production Company for pooling of coalbed methane unit VC-539280, Tract-T525 Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-0617-2247.

In VC-539280, a 58.77-acre unit, Tract T-525, the applicant controls 100.0% of the coal and 71.70% of the gas interests, and seeks to pool the remaining 28.30% of the gas interests. Unleased gas acreage subject to pooling totals 16.63 net acres having seven unleased parties in two of twelve tracts. There are unknown claimants subject to escrow. Exhibits show escrow is required for tracts 5, 6, 8 and 11. **The petition was approved.**

24. A petition from Equitable Production Company for pooling of coalbed methane unit VC-537058, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-0617-2248.

In VC-537058, a 58.77-acre unit, Tract T2-42, the applicant controls 100.0% of the coal and 32.47 % of the gas interests, and seeks to pool the remaining 67.53% of the interests. Unleased gas acreage subject to pooling totals 39.69 net acres having one unleased party in one tract. There is one unknown claimant subject to escrow in tract 1. **The petition was approved.**

25. A petition from Equitable Production Company for pooling of coalbed methane unit VC-537875, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-08-0617-2249.

In VC-537875, a 58.77-acre unit, Tract TC-182, the applicant controls 100.0% of the coal and 96.1 % of the gas interests, and seeks to pool the remaining 3.9% of the gas interests. Unleased gas acreage subject to pooling totals 2.3 net acres having two unleased parties in one tract. Testimony indicated an escrow will be required for tracts 1 and 4. **The petition was approved.**

26. A petition from Equitable Production Company for pooling of coalbed methane unit VC-537876, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-08-0617-2250.

In VC-537876, a 58.77-acre unit, Tract TC-182, the applicant controls 100.0% of the coal and 72.12 % of the gas interests, and seeks to pool the remaining 27.88% of the gas interests. Unleased gas acreage subject to pooling totals 16.38 net acres having three unleased party in three tracts. Escrow will be required for tracts 1, 2, 3 and 4. **The petition was approved.**

27. A petition from Equitable Production Company for pooling of coalbed methane unit VC-537839, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-08-0617-2251.

In VC-537839, a 58.77-acre unit, Tract T-333, the applicant controls 100.0% of the coal and 99.44 % of the gas interests, and seeks to pool the

remaining 0.56% of the gas interests. Unleased gas acreage subject to pooling totals 0.33 net acres having two conflicting claimants in two tracts. There are no unknowns subject to escrow. Testimony indicated escrow was required for tracts 4 and 5. **The petition was approved.**

28. A petition from Equitable Production Company for pooling of coalbed methane unit VC-535592, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-08-0617-2252.

In VC-535592, a 58.77-acre unit, the applicant controls 83.83% of the coal and 98.48 % of the gas interests, and seeks to pool the remaining 16.17 % of the coal and 1.52% of the gas interests. Unleased coal acreage totals 9.41 acres, and the unleased gas acreage subject to pooling totals 0.33 net acres having two unleased claimants in two tracts. There are no unknowns subject to escrow. **This petition was continued to July.**

29. A petition from Equitable Production Company for pooling of 320-acre provisional horizontal drilling unit served by well VH-536926, Lipps District, Wise County, Virginia. Docket Number VGOB-08-0617-2253.

In VC-536926, a 58.77-acre unit, the applicant controls 93.23 % or 93.31 % of the gas interests and seeks to pool the remaining 6.76 % or 6.69 % of the gas interests. Unleased gas acreage subject to pooling totals 20.89 or 20.70 net acres. There are unknowns and conflicting claimants. Revised Exhibits B, B3 and E distributed by applicant provide new addresses for some respondents. Testimony indicated escrow is required for tracts 16 and 17. **The petition was approved.**

30. A petition from Equitable Production Company for pooling of conventional gas unit V-502739, Lipps District, Wise County, Virginia. Docket Number VGOB-08-0617-2254.

In V-502739, a 112.69-acre conventional unit, the applicant controls 67.9% of the gas interests. The applicant seeks to pool the remaining 32.1% of the gas interests. Unleased gas acreage subject to pooling totals 36.1 net acres in fifteen tracts having nineteen claimants. There are no unknown owners subject to escrow. Revised Exhibits B, B2 and B3 were provided reflecting additional leased acreage. Testimony indicated no escrow is required. **The petition was approved.**

31. A petition from Equitable Production Company for pooling of conventional gas unit V-536896, Gladeville District, Wise County, Virginia. Docket Number VGOB-08-0617-2255.

In V-536896, a 112.69-acre conventional unit, the applicant controls 94.65% of the gas interests. The applicant seeks to pool the remaining 5.35% of the gas interests. Unleased gas acreage subject to pooling totals 6.0 net acres in five tracts having two hundred seventy-five claimants. There are unknown owners subject to escrow. Testimony indicated escrow is required for tracts 6, 7 and 8. **The petition was approved.**

32. A petition from Equitable Production Company for pooling of conventional gas unit V-536761, Lipps District, Wise County, Virginia. Docket Number VGOB-08-0617-2256.

In V-536761, a 112.69-acre conventional unit, the applicant controls 74.44% of the gas interests. The applicant seeks to pool the remaining 25.56% of the gas interests. Unleased gas acreage subject to pooling totals 36.6 net acres in twenty-three tracts having thirty-one claimants. There are unknown owners subject to escrow. Revised Exhibits B, B2, B3 and E were provided indicating acquisition of additional leases within tract 4. Applicant will provide a revised Exhibit B2. **The petition was approved.**

33. A petition from Equitable Production Company for a well location exception for proposed well V-535851, Gladeville District, and Wise County, Virginia. Docket Number VGOB-08-0617-2257.

The applicant seeks an exception to statewide conventional well spacing for proposed well V-535851. Existing Well V-502541 lies 2,354 feet North 66 degrees, 38 minutes East of proposed well V-535851 and proposed well V-2535 lies 2,023 feet South 37 degrees 12 minutes West of this proposed well V-535851. Testimony was offered that this well location was agreed upon with the coal owner and was in fact at the coal owner's request. **The petition was approved.**

34. A petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BS-41 and BT-42, Kenady and Ervinton Districts, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-29.

The applicant seeks a modification of the Nora Field Rules to allow one additional coalbed gas well to be drilled within each of the 58.77-acre Nora units identified, Unit BS-41 and Unit BT-42. Testimony indicated 100% of the gas interest is under lease, that BS-41 is inside the interior window, and that BT-42 is outside the interior window. Testimony further indicated there were no correlative rights issues. **The petition was approved.**

35. A petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in unit BT-57, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-30.

The applicant seeks a modification of the Nora Field Rules to allow one additional coalbed gas well to be drilled within the 58.77-acre Nora unit, BT-57. Applicant is requesting one additional well in this unit. Testimony was offered that there are no correlative rights issues. **The petition was approved.**

36. A petition from Range Resources-Pine Mountain, Inc., for creation of a drilling unit and pooling of conventional gas unit V-504473, Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-0617-2258.

The applicant seeks the creation of a drilling unit and pooling of conventional gas unit for well V-504473, which encompasses 112.69 acres.

The applicant controls 81.63 % of the gas estate and seeks to pool the remaining 18.36%. There are fifty-two unleased claimants in two tracts with a total of 20.7 unleased acres. There are also unknown claimants reflected within the petition. **The petition was continued until July.**

37. Petition filed by S. T. Mullins and J. Scott Sexton on behalf of GeoMet Operating Company appealing a decision by the Director of the Division of Gas and Oil regarding Informal Fact Finding Conference decision IFFC 20908. Docket Number VGOB-08-0617-2259. **The petition was continued until July.**
38. Petition filed by S. T. Mullins on behalf of GeoMet Operating Company appealing a decision by the Director of the Division of Gas and Oil regarding Informal Fact Finding Conference decision IFFC 21008. Docket Number VGOB-08-0617-2260. **The petition was continued until July.**
39. A petition from Mark A. Swartz on behalf of Island Creek Coal Company appealing a decision by the Director of the Division of Gas and Oil regarding Informal Fact Finding Conference decision IFFC 21108. Docket Number VGOB-08-0617-2261. **The Division Director's decision in IFFC 21108 was sustained.**

The time being 5:00 pm, Chairman Wampler continued docket items not yet discussed to July and took public comments.

The Virginia Gas and Oil Board heard public comments and questions from Mr. John Sheffield in regard to pooling issues and status of any docket item that dies before the Board without a second to the pending motion.

The meeting was then adjourned.
